

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

BRITESMILE, INC. and BRITESMILE
DEVELOPMENT, INC.,

No. C 02-03220 JSW

Plaintiffs,

v.

DISCUS DENTAL, INC., et al.,

**ORDER GRANTING IN PART AND
DENYING IN PART BRITESMILE'S
MOTION TO DISMISS DISCUS
DENTAL'S COUNTERCLAIMS IV-
XII**

Defendants.

AND RELATED COUNTERCLAIMS

Now before the Court is the motion of Plaintiffs BriteSmile, Inc. and BriteSmile Development, Inc. (collectively "BriteSmile") to dismiss the fourth through twelfth counterclaims filed by Defendant Discuss Dental, Inc. ("Discuss"). Having carefully considered the parties' arguments and the relevant legal authority, the Court hereby GRANTS IN PART and DENIES IN PART the motion to dismiss.

FACTUAL BACKGROUND

On May 3, 2005, BriteSmile sent a letter to dentists who use Discuss' teeth whitening products. The letter stated in pertinent part:

...BriteSmile believes that your use of certain teeth whitening products of Discuss Dental, Inc. ("Discuss") infringes valuable property rights of BriteSmile, and that this activity must cease and desist.

BriteSmile is the owner of a substantial patent portfolio dedicated to tooth whitening technology, including the following U.S. patents which may be of interest to you: U.S. Patent Nos. 6,343,933; 6,514,543; 6,536,628; 6,331,292; 5,922,307; 6,312,670; 6,322,773; and 6,488,914. BriteSmile has made a significant investment in its patent portfolio and is vigorous in its enforcement of these and other patents. You should be aware that BriteSmile is suing Discuss over Discuss' making, using and selling of technology that infringes several of these patents.

As a seller of Discuss products, you are also infringing one or more of the

1 BriteSmile patents. In particular, Discus' Zoom! Chairside system infringes one or more
 2 BriteSmile patents. In addition, several of Discus' take home products, including Zoom!
 3 Take Home, Nite White and Excel, which use a two component gel and a dual chamber
 static mixer, infringe other BriteSmile patents. Your use and sale of these Discus
 products constitutes infringement under U.S. patent laws.

4 As an alternative to Discus' Zoom! Chairside system, BriteSmile is interested in
 granting you rights under BriteSmile's substantial patent portfolio by inviting you to
 5 become a licensed provider of BriteSmile products and services. Whether or not you are
 interested to become part of the BriteSmile opportunity, BriteSmile insists that you
 6 immediately cease and desist from all infringing use and sale of the Discus products
 covered by the above patents.

7 (Declaration of Shirish Gupta ("Gupta Decl."), Ex. 1.) On June 15, 2005, BriteSmile sent a
 8 follow-up letter to dentists stating:

9 ...[T]he patent infringement litigation between BriteSmile and Discus is ongoing,
 with Discus still accused of infringement of three BriteSmile patents: U.S. Patent Nos.
 10 6,343,933; 6,514,543; 6,536,628. In fact, Discus has changed its formulations for its
 products, and many of those changes were just revealed to BriteSmile.

11 As a result of Discus' formulation changes, BriteSmile is not interested at this
 time in pursuing Discus' customers, the dentists, for past infringement based on those
 12 old formulations. BriteSmile will seek damages in that regard from Discus.

13 As far as the new formulations are concerned, BriteSmile is currently evaluating
 whether those formulations infringe any BriteSmile intellectual property. If so,
 14 BriteSmile will consider all of its legal options for addressing the infringement by
 Discus and its customers.

15 (Gupta Decl., Ex. 3.)

16 Based in large part on these letters, Discus filed amended counterclaims against
 17 BriteSmile, seeking a declaratory judgment of non-infringement and invalidity of U.S. Patent
 18 Nos. 6,488,914 ("914 Patent"), 6,331,292 ("292 Patent"), 5,922,307 ("307 Patent"),
 19 6,312,670 ("670 Patent"), and 6,322,773 ("773 Patent") pursuant to 22 U.S.C. § 2201.¹ Based
 20 on these letters accusing Discus' products of infringement and initially threatening to sue the
 21 dentists, Discus also filed counterclaims for tortious interference with prospective economic
 22 advantage and economic business relations, unfair competition under California Business and
 23 Professional Code § 17200, common law unfair competition, and trade libel.

24 BriteSmile now moves to dismiss the declaratory relief counterclaims for lack of subject
 25 matter jurisdiction, arguing that Discus does not have a reasonable apprehension of being sued

26
 27 ¹ Discus also filed counterclaims seeking declaratory judgment of non-infringement
 and invalidity of U.S. Patent Nos. 6,343,933 ("933 Patent"), 6,514,543 ("543 Patent"), and
 28 6,536,628 ("628 Patent"), the patents over which BriteSmile has sued Discus for
 infringement in the above-captioned case, but BriteSmile has not moved to dismiss these
 counterclaims.

over the above patents. Alternatively, BriteSmile urges the Court to exercise its discretion to decline to hear the declaratory relief counterclaims. BriteSmile also moves to dismiss the state law counterclaims, arguing that they are preempted by the patent laws and that Discus failed to sufficiently allege these claims. The Court will address these arguments in turn.

ANALYSIS

A. Legal Standards Applicable to Declaratory Relief Jurisdiction.

In order to establish subject matter jurisdiction, Discus bears the burden of establishing that an “actual controversy” existed at, and has continued since, the time it filed its counterclaims. *See Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995). The Federal Circuit applies a two-part test to determine if there is an actual controversy. *See, e.g., Fina Research, S.A. v. Baroid Ltd.*, 141 F.3d 1479, 1481 (Fed. Cir. 1998). First, the patentee must make an explicit threat or take other action that creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit. *Super Sack*, 57 F.3d at 1058. Second, there must be present activity that could constitute infringement or concrete steps taken with the intent to conduct such activity. *Id.* The focus of BriteSmile’s motion is whether Discus has met its burden under the first prong.

B. Discus Has Not Met Its Burden to Show It Had A Reasonable Apprehension of Suit.

“The reasonableness of a party’s apprehension is judged using an objective standard[]” based on the totality of the circumstances. *Vanguard Research, Inc. v. Peat, Inc.*, 304 F.3d 1249, 1254 (Fed. Cir. 2002). “To put a putative infringer in reasonable apprehension of suit does not require an express charge of infringement and threat of suit; rather, such apprehension may be induced by subtler conduct if that conduct rises ‘to a level sufficient to indicate an intent [on the part of the patentee] to enforce its patent,’ *i.e.*, to initiate an infringement action.” *EMC Corp. v. Norand Corp.*, 89 F.3d 807, 811 (Fed. Cir. 1996) (quoting *Shell Oil Co. v. Amoco Corp.*, 970 F.2d 885, 887 (Fed. Cir. 1992)).

The facts of this case establish that on May 3, 2005, BriteSmile sent to dentists informing them of its belief that their use of certain Discus’ teeth whitening products “infringes

1 valuable intellectual property rights of BriteSmile.” BriteSmile then listed eight patents, the
2 three of which BriteSmile has sued Discus for infringement in this action plus the ’914, ’292,
3 ’307, ’670, and ’773 Patents, “which may be of interest to [the dentists].” BriteSmile stated that
4 it is suing Discus over “several of these patents” and accused the dentists of infringing “one or
5 more of the BriteSmile patents,” without specifying which one or ones. Due to the number of
6 patents lists in the letter and the fact that BriteSmile has only sued Discus over three of these
7 patents in this lawsuit which has been proceeding now for over three years, the Court concludes
8 that the letter is ambiguous as to whether it indicates an intent by BriteSmile specifically to
9 initiate an infringement action on the ’914, ’292, ’307, ’670, or ’773 Patents.

10 Discus’ reliance on *Fina Research* for the proposition that a letter referring to multiple
11 patents may create a reasonable apprehension of suit over any of those patents is misplaced. In
12 *Fina Research*, the patentee sent two letters in which it directly accused the declaratory plaintiff
13 of infringing “one or both” of two patents and stated the patentee’s intent to “*vigorously protect*
14 *and enforce its rights in the subject patents, including the filing of suit if necessary.*” *Fina*
15 *Research*, 141 F.3d at 1482 (emphasis in original). The patentee averred that the product at
16 issue did not infringe one of these patents, and thus, the declaratory plaintiff only faced potential
17 liability over the other patent. Under these circumstances, the court concluded that the letters
18 created a reasonable apprehension of suit with respect to the patent on which the declaratory
19 plaintiff faced potential liability. *Id.* at 1482-83.

20 In contrast here, BriteSmile’s letter refers to eight patents, three of which are the subject
21 of the infringement lawsuit which has been proceeding for over three years. The Court finds
22 that BriteSmile’s stated intent to initiate infringement actions with respect to the ’914, ’292,
23 ’307, ’670, and ’773 Patents is much more ambiguous than the patent at issue in *Fina Research*.
24 Moreover, here, BriteSmile sent a follow-up letter in which BriteSmile only refers to the ’933,
25 ’543, and ’628 Patents and clarifies that it has no current intent to sue the dentists for
26 infringement based on Discus’ old formulations. These two letters, read together, in
27 conjunction with the fact that BriteSmile has sued Discus over only three of the eight patents in
28 a lawsuit which is now over three years old, do not create a reasonable apprehension of suit at

1 this time. Accordingly, the Court grants BriteSmile's motion as to Discus' fourth through eight
 2 counterclaims without prejudice to Discus refiling such claims if BriteSmile makes any further
 3 threatening statements regarding these patents.

4 Even assuming *arguendo* that these letters do create a reasonable apprehension of suit,
 5 the Court exercises its "unique and substantial" discretion to decline to hear these counterclaims
 6 for declaratory relief. *See Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995); *EMC*, 89 F.3d at
 7 810. "Even if there is an actual controversy, the district court is not required to exercise
 8 declaratory judgment jurisdiction, but has discretion to decline that jurisdiction" *EMC*, 89 F.3d
 9 at 810; *see also Serco Servs. Co., L.P. v. Kelley Co., Inc.*, 51 F.3d 1037, 1039 (Fed. Cir. 1995)
 10 (court may dismiss declaratory judgment action if its action is based on "a reasoned judgment
 11 whether the investment of time and resources will be worthwhile").

12 This case is more than three years old. The Court has already held a claims construction
 13 hearing and construed the disputed terms of the patents at issue. The Court concludes that
 14 exercising jurisdiction over these declaratory judgment counterclaims would unduly delay and
 15 complicate this patent litigation case. Thus, the Court exercises its discretion not to hear these
 16 counterclaims. However, if BriteSmile makes any further threatening statements regarding the
 17 '914, '292, '307, '670, and '773 Patents, the Court would be willing to revisit this decision.

18 **C. Legal Standards Applicable to Motions to Dismiss for Failure to State a Claim.**

19 Motions pursuant to Federal Rule of Civil Procedure 12(b)(6) challenge the legal
 20 sufficiency of the claims asserted in the complaint. A motion to dismiss should not be granted
 21 unless it appears beyond a doubt that a plaintiff can show no set of facts supporting his claim.
 22 *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957). Under this liberal standard, motions to dismiss
 23 are viewed with disfavor, and are rarely granted. *Hall v. City of Santa Barbara*, 833 F.2d 1270,
 24 1274 (9th Cir. 1986). The complaint is viewed in a light most favorable to the nonmoving
 25 party, and all factual allegations therein are taken as true. *Sanders v. Kennedy*, 794 F.2d 478,
 26 481 (9th Cir. 1989). Generally, "a district court may not consider any material beyond the
 27 pleadings in ruling on a Rule 12(b)(6) motion." *Branch v. Tunnell*, 14 F.3d 449, 453 (9th Cir.
 28

1 1994), *overruled on other grounds*, *Galbraith v. County of Santa Clara*, 307 F.3d 1119 (9th Cir.
 2 2002) (citation omitted).

3 **D. Discus Sufficiently Alleges Its State Law Claims.**

4 BriteSmile also moves to dismiss Discus' counterclaims for tortious interference with
 5 prospective economic advantage and economic business relations, unfair competition under
 6 California Business and Professional Code § 17200, common law unfair competition, and trade
 7 libel. BriteSmile argues that all of these claims are preempted by federal patent law. However,
 8 both parties agree that these state law claims are not preempted if Discus sufficiently alleges bad
 9 faith by BriteSmile. *See Zenith Electronics Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1355 (Fed. Cir.
 10 1999) ("to avoid patent law preemption of ... state law claims, bad faith must be alleged and
 11 ultimately proven, even if bad faith is not otherwise an element of the tort claim.").

12 The Federal Circuit explained that while determining exactly what constitutes bad faith
 13 must be assessed on a case by case basis, "[o]bviously, if the patentee knows that the patent is
 14 invalid, unenforceable, or not infringed, yet represents to the marketplace that a competitor is
 15 infringing the patent, a clear case of bad faith representations is made out." *Id.* at 1354. Here,
 16 Discus alleges: "BriteSmile has sent letters to at least twelve doctors in the Chicago area,
 17 threatening a patent infringement lawsuit based on the '914 patent and other patents unless the
 18 doctors stop using Discus' products and switch to BriteSmile's products. ...On information and
 19 belief, unless enjoined, BriteSmile will continue to illegally coerce current customers and
 20 prospective purchasers of Discus' light activated and dual-barrel teeth whitening system not to
 21 purchase and use Discus' products under threat of suit for breach of an unenforceable contract
 22 and/or infringement of knowingly invalid and noninfringed patents." (Discus' Amended
 23 Answer and Counterclaims, ¶¶ 141, 142.) Discus further alleges that "BriteSmile made false
 24 and misleading threats of patent infringement in its at least twelve cease and desist letters sent to
 25 Discus' customers BriteSmile threatened Discus' customers with patent litigation based on a
 26 patent that BriteSmile admitted to this Court had 'errors in the prosecution had [*sic*] affected the
 27 ability to enforce the '914 patent against Discus." (*Id.* at ¶ 150.) Thus, Discus alleges that
 28 BriteSmile represented to Discus' customers that Discus is infringing a patent BriteSmile knows

1 is invalid, unenforceable, or not infringed. Therefore, the Court finds Discus sufficiently alleges
 2 bad faith conduct by BriteSmile to avoid preemption at this procedural stage and denies
 3 BriteSmile's motion on this ground.

4 BriteSmile also argues that Discus failed sufficiently to allege facts in support of its
 5 counterclaims for tortious interference with prospective economic advantage and economic
 6 business relations, unfair competition, and trade libel. In essence, BriteSmile proffers
 7 arguments about what the BriteSmile letters actually convey and whether the statements
 8 contained in those letters were false, misleading or coercive. Because these letters were not
 9 attached to Discus' complaint, the Court cannot address the actual content of the letters or other
 10 facts outside of the complaint on a motion to dismiss pursuant to Rule 12(b)(6). Accordingly,
 11 the Court denies BriteSmile's motion on these grounds.

12
 13 **1. Discus' Counterclaim for Tortious Interference with Prospective Economic
 Advantage and Economic Business Relations.**

14 To state a claim for interference with prospective economic relations, a plaintiff must
 15 plead "that the defendant's interference was wrongful 'by some measure beyond the fact of the
 16 interference itself.'" *Della Penna v. Toyota Motor Sales, U.S.A., Inc.*, 11 Cal.4th 376, 393
 17 (1995). "[A]n act is independently wrongful if it is unlawful ... if it is proscribed by some
 18 constitutional, statutory, regulatory, common law, or other determinable legal standard." *Korea
 19 Supply Co. v. Lockheed Martin Corp.*, 29 Cal.4th 1134, 1159 (2003). Discus premises its
 20 counterclaim for tortious interference with prospective economic advantage and economic
 21 business relations on BriteSmile's alleged false and misleading cease and desist letters and
 22 alleged violations of California Business and Professional Code sections 650 and 16600. Discus
 23 has also pled claims for unfair competition and trade libel based on the cease and desist letters.
 24 Because the Court concludes, as discussed below, that Discus adequately pled claims for unfair
 25 competition and trade libel, Discus has sufficiently alleged wrongful conduct.²

26
 27 ² BriteSmile argues that Discus has not properly alleged violations of California
 28 Business and Professional Code sections 650 and 16600. Although Discus' ultimate ability
 to demonstrate violations of these sections under the facts of this case seems doubtful, the
 Court need not evaluate the merits of such allegations at this time because the Court

1 **2. Discus' Counterclaim for Common Law Unfair Competition.**

2 BriteSmile argues, without any supporting authority, that Discus' common law unfair
3 competition claim should be dismissed because it is duplicative of Discus' unfair competition
4 claim under California Business and Professional Code § 17200. "California provides both
5 statutory and common law causes of action for unfair competition. ... Each of these causes of
6 action provides a theoretical state law basis for [a plaintiff's] requested relief." *Duncan v.*
7 *Stuetzle*, 76 F.3d 1480, 1489 (9th Cir. 1996). Moreover, the statutory and common law claims
8 are not identical. *See Smith & Hawken, Ltd. v. Gardendance, Inc.*, 2004 WL 2496163, *10,
9 2004 Copr. L. Dec. P 28,903, RICO Bus. Disp. Guide 10,787 (N.D. Cal. Nov. 5, 2004) (noting
10 that punitive damages are available under a common law unfair competition claim, but not
11 under Cal. Bus. & Prof. Code § 17200). Accordingly, the Court denies BriteSmile's motion to
12 dismiss the common law unfair competition claim on this ground.

13 **3. Discus' Counterclaim for Trade Libel**

14 Finally, BriteSmile moves to dismiss Discus' trade libel counterclaim, arguing that
15 Discus Dentail failed to allege false statements of fact or that BriteSmile acted with malice. To
16 plead a claim for trade libel, a plaintiff must allege "that the defendant: (1) made a statement
17 that disparages the quality of the plaintiff's product; (2) that the offending statement was couched
18 as fact, not opinion; (3) that the statement was false; (4) that the statement was made with
19 malice; and (5) that the statement resulted in monetary loss." *Optinrealbig.com, LLC v.*
20 *Ironport Systems, Inc.*, 323 F. Supp. 2d 1037, 1048 (N.D. Cal. 2004) (citing *Guess, Inc. v.*
21 *Superior Court*, 176 Cal. App. 3d 473, 479 (1986)). Discus alleges that Britesmile sent letters
22 to doctors disparaging the quality of Discus' products. Moreover, Discus alleges that the
23 statements to the doctors were false, "couched as fact rather than opinion," and were made with
24 malice. (Discus' Amended Answer and Counterclaims, ¶¶ 154-56.) The Court thus concludes
25 that Discus sufficiently alleges facts to state a claim for trade libel. Accordingly, the Court
26 denies BriteSmile's motion to dismiss Discus' state law counterclaims.

27
28 _____ concludes that Discus has alleged other wrongful conduct.

CONCLUSION

For the foregoing reasons, the Court GRANTS IN PART and DENIES IN PART BriteSmile's motion to dismiss as follows:

- (1) The Court GRANTS BriteSmile's motion to dismiss Discus' counterclaims for declaratory relief on the '914, '292, '307, '670, and '773 Patents (Discus' fourth through eighth counterclaims); and
- (2) The Court DENIES BriteSmile's motion to dismiss Discus' counterclaims for tortious interference with prospective economic advantage and economic business relations, unfair competition under California Business and Professional Code § 17200, common law unfair competition, and trade libel (Discus' ninth through twelfth counterclaims).

IT IS SO ORDERED.

Dated: November 18, 2005



JEFFREY S. WHITE
UNITED STATES DISTRICT JUDGE